

LAW OFFICES
MILES & STOCKBRIDGE

A PROFESSIONAL CORPORATION

CAMBRIDGE, MD
EASTON, MD
FREDERICK, MD

10 LIGHT STREET
BALTIMORE, MARYLAND 21202-1487

TELEPHONE 410-727-6464
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MCLEAN, VA
ROCKVILLE, MD
TOWSON, MD
WASHINGTON, D.C.

JOHN A. STALFORT
410-385-3424

May 12, 1997

via FEDERAL EXPRESS

Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001
Attention: Recordation

RECORDATION NO. 20683 FILED

MAY 14 '97

RECORDATION NO. 20683-A FILED

MAY 14 '97

1-00PM

1-00PM

RECEIVED
SURFACE TRANSPORTATION
BOARD

Re: Our File No.: 258-1721

Dear Mrs. Fort:

Enclosed for recordation as a primary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Railcar Master Net Leasing Agreement dated November 20, 1996 between Rio Grande Chemical Sales Company (901 Lindberg Street, McAllen, Texas 78501) and Texas-Mexican Railway Company (1200 Washington, Laredo, Texas 78040).

Also enclosed for recordation as a secondary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Assignment of Lessor's Interest in Leases dated May 8, 1997 by Rio Grande Chemical Sales Co. (901 Lindberg Street, McAllen, Texas 78501) and The First National Bank of Maryland (25 South Charles Street, Baltimore, Maryland 21201) which relates to the above-referenced Railcar Master Net Leasing Agreement.

2 docs Lastly, I have also enclosed two checks both in the amount of \$24.00 to cover the costs of recording these documents.

Once these documents have been recorded, please return the same to the undersigned.

Thank you for your prompt attention to this matter. If you have any questions, please call me at (410) 385-3425.

Sincerely,

A handwritten signature in cursive script, reading "Michele E. Sperato". The signature is written in dark ink and is positioned above the typed name.

Michele E. Sperato,
Secretary to John A. Stalfort

Enclosures

STATE OF MARYLAND

SS:

CITY OF BALTIMORE

THIS IS TO CERTIFY that the attached Railcar Master Net Leasing Agreement is a true and complete copy of said Railcar Master Net Leasing Agreement.

WITNESS my hand and seal this 12th day of May, 1997.

Michelle E. Sperato
Notary Public

My Commission Expires:

MAY 14 '97

1-00PM

RAILCAR MASTER NET LEASING AGREEMENT

This AGREEMENT, is made and entered as of the 20th day of November, 1996 between RIO GRANDE CHEMICAL SALES COMPANY, a Texas corporation having an office at 901 Lindberg Street, McAllen, Texas 78501 (hereinafter called "RGC"), and TEXAS-MEXICAN RAILWAY COMPANY, having an office at 1200 Washington, Laredo, Texas 78040 (hereinafter called "Lessee").

WITNESSETH:

1. **Railcars Covered by Agreement.** RGC agrees to furnish and lease to Lessee, and Lessee agrees to accept and use, upon the terms and conditions set forth herein, the Cars described on the rider(s) attached hereto and such additional riders as may be added hereto from time to time by agreement of the parties and any and all other Cars delivered to and accepted by Lessee (collectively called the "Cars"). Each rider shall be in the form of Exhibit A attached hereto and shall set forth a description of the Cars, the number of Cars of each type, the specific Car marks and numbers as registered with the Association of American Railroads ("AAR"), the period for which the Cars will be leased (the "Term"), the rental charge per-car-per-period, the specific commodity or freight to be carried therein, any specific restrictions on use, the delivery location, the return location and other pertinent information that may be desired by both parties. All Cars leased pursuant to such rider(s), or otherwise delivered to and accepted by Lessee, are and shall be subject to the terms and conditions of this Agreement and any riders hereto. This agreement and any and all riders hereto are herein collectively called the "Agreement".
2. **Net Lease.** This Agreement is a net lease. Lessee's obligation to pay all rent and other amounts payable hereunder, to maintain the Cars pursuant to paragraph 8 hereof and insure the Cars pursuant to paragraph 20 hereof, shall be absolute and unconditional under any and all circumstances.
3. **Delivery, Inspection and Acceptance.** RGC agrees to deliver the Cars to Lessee at the point(s) in the United States designated in the applicable rider hereto or as otherwise mutually agreed by RGC and Lessee. RGC shall have no liability or obligation to Lessee for any delay in delivery resulting from causes beyond RGC's control. Each of the Cars shall be subject to an inspection by Lessee upon delivery. The condition of each Car will be evidenced by completion of an inspection and acceptance form in the form of Exhibit B attached hereto. Lessee agrees to accept each such Car on such delivery date or to immediately notify RGC of the nature and extent of any material defect that causes any Car to be reasonably deemed by the Lessee as unfit for use by Lessee. Execution by Lessee of any inspection and acceptance form showing a Car to be free of material defects shall constitute acceptance thereof by Lessee. If no such inspection and acceptance form shall have been so executed, then the loading of any Car so delivered, or the placing of such Car into interchange service by the Lessee or at its direction, or the failure by Lessee to report any material defect in a Car within ten (10) days of delivery, shall be deemed to constitute acceptance thereof by Lessee as of the date of delivery. If Lessee is unable to accept delivery of a Car or to inspect such Car because of the inability to Lessee's plant or loading facility to accept such Car, for whatever reason, any storage or other charges incurred in connection with such Car shall be for Lessee's account.
4. **Payment of Rent.** Lessee's obligation to pay RGC rent and any other amounts required under this Agreement or any rider hereto for any Car shall commence on the date of acceptance by Lessee of such Car and shall continue in all events until the end of the Term for such Car as set forth in the applicable rider hereto, or until the obligation to pay

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RGC

Lessee

Page 1

the same shall be determined pursuant to paragraphs 9 or 22 hereof, and, in any case, until the Cars have been returned to the possession of RGC pursuant to, and in the condition required by, paragraphs 10 and 14 hereof. Lessee agrees to pay rent and other amounts due in accordance with the terms of this Agreement and any rider hereto. Lessee shall not be entitled to any abatement or reduction of, or set off against, rent or any other amounts payable hereunder including, but not limited to, abatements, reductions or set offs arising from any claims of Lessee against RGC, under this Agreement or otherwise, or against any other party. Such amounts shall be paid to RGC in United States funds, monthly in advance on the first day of each month, and shall be prorated for any period for any Car that is leased for less than a full calendar month. Such payments shall be remitted to RGC by wire transfer in accordance with instructions indicated on the applicable rider or, in the absence of such instructions, by check payable to RGC via express parcel courier to: RIO GRANDE CHEMICAL SALES COMPANY, 901 Lindberg Street, McAllen, Texas 78501, or pursuant to such other instructions as RGC shall from time to time direct in writing.

5. **Use of Cars.** Lessee agrees (i) to use the Cars exclusively in its own service, except as part of normal interchange service or as hereinafter provided; (ii) to use the Cars only to carry the commodities described in the rider relating to such Cars; (iii) to use the Cars in accordance with all laws and with industry standards and in accordance with the rules and regulations of the U. S. Department of Transportation ("DOT"), AAR and the Federal Railroad Administration ("FRA") or any successor organizations; (iv) to ensure that none of the Cars are loaded in excess of the load limit stenciled on each of the Cars; (v) to ensure that more than fifty per cent of the usage is within the continental limits of the United States of America with use in Mexico or Canada otherwise permitted; and (vi) to limit the total number of miles (loaded and empty combined) traveled by each Car during any calendar year to thirty thousand miles, and to pay an excess mileage penalty of \$ per mile on all miles in excess of said mileage limit. Lessee may not sublease the Cars or permit the use of the Cars in any manner so as to cause RGC to lose any deductions, credits or other benefits of ownership thereof under the Internal Revenue Code of 1986, as amended, (the "Code"). Lessee shall indemnify and reimburse RGC for any customs duties, taxes, loss of tax benefits, or other expenses resulting from such use. Lessee shall not use, or permit the use of, the Cars for loading, storage, or hauling any hazardous, toxic, corrosive or radioactive substances.

6. **Record of Movements.** Lessee agrees to keep accurate and timely records pertaining to the movements of the Cars, and, upon mutual agreement of RGC and Lessee, from time to time, to promptly provide to RGC, subject to any applicable ICC restrictions on release of such information, complete reports of the Car movements, including but not limited to dates received, loaded and shipped, commodity or freight loaded, destination, and all other Car movement information or documents which Lessee may originate or receive from railroad companies or other sources which RGC may reasonably request.

7. **Taxes and Charges:** RGC shall be solely responsible for the payment of U. S. Federal income taxes assessed against it for any rental or casualty payment received under this Agreement. Lessee shall pay in a timely manner, without any set-off or reduction against the rent or other amounts owed RGC and indemnify and hold RGC harmless from: (i) taxes (withholding or otherwise), including but not limited to any ad valorem or property taxes imposed by the United States, or any governmental or administrative subdivision thereof, and any sales, lease, use, gross receipts, franchise or single business taxes, and (ii) any and all other charges, license fees, assessments, fines, levies, imposts, duties, transmittal fees, customs brokers charges, tariffs, customs duties, switching charges, mileage equalization charges, empty movement charges, track storage, detention or demurrage charges arising from change in law or otherwise, including penalties and interest thereon, levied or imposed by any domestic or foreign, federal, state or local government or taxing authority, railroad or other agency, imposed upon, or with respect to, either the Cars, the Agreement, Lessee or RGC in connection with this Agreement. Lessee shall be under no obligation to pay any such taxes or other charges so long as Lessee is contesting in good faith and by appropriate legal proceedings imposition of such taxes or other charges and the nonpayment thereof does not or will not, in the reasonable opinion of RGC,

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adversely affect any title, property or rights of RGC hereunder in or to the rent or other sums payable under the Agreement or in or to any Car, or diminish the value thereof. For the purpose of this paragraph the railroad mileage and junction reports shall be prima facie evidence of the facts reported therein. Lessee agrees to promptly reimburse RGC for any of the foregoing paid by RGC.

8. **Maintenance and Repair of Cars.** Lessee shall, at its own expense and risk, maintain and repair the Cars throughout the Term in good and fully serviceable condition, suitable for unrestricted revenue service and interchange, and in accordance with all applicable laws, rules and regulations for the DOT, FRA, AAR and any and all other organizations or their successors with authority or jurisdiction over the operation of Cars in the geographic areas in which, or thorough which, the Cars operate or travel. Lessee shall promptly notify RGC upon receipt by Lessee of knowledge that any of the Cars have been classified as "heavy bad order" or any equivalent classification, and of any substantial damage to any of the Cars. Lessee shall make all governmental filings required as a result of any repair or modification to any Car.

9. **Casualty.** In the event any Car is irreparably damaged or destroyed or is out of service due to the loss by damage to or condition of the Car for more than sixty (60) days, Lessee shall pay to RGC, on the next following rent payment date, an amount equal to the greater of (i) casualty value of such Cars as set forth in the Casualty Loss Schedule attached to the applicable rider hereto, and (ii) that amount that would be calculated assuming that Rule 107 of the AAR, or any successor rule adopted by the AAR or any successor organization, in effect as of the date such Car is removed from service, is applicable. Rent in respect to any such Car will continue until all amounts due and payable to RGC in respect of such Car are received by RGC. Without limiting the obligation of Lessee to pay in full the amount required by the first sentence of this paragraph 9, RGC shall have the right, but shall not be obligated, to substitute for any such Car another Car of the same type and capacity and the rent in respect to such substituted Car shall commence upon delivery of such substituted Car to Lessee. This Agreement shall not terminate nor shall the respective obligations of Lessee to RGC be otherwise affected by reason of (i) any defect in or damage to, any of the Cars from any cause; (ii) the taking or requisitioning of the Cars by condemnation or otherwise; (iii) the lawful prohibition of Lessee's use of the Cars; or (iv) the interference with such use by any person, other than RGC, when Lessee is not in default hereunder, the foregoing, or any present or future law to the contrary notwithstanding. To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any Car except in accordance with the express terms hereof.

10. **Car Interior Care and Maintenance.** Lessee agrees that it will, at its own expense, expressly in addition to its obligations to maintain the Cars under this Agreement or any rider hereto, maintain the interior of the Cars in a condition at least as good as when delivered to and accepted by Lessee, ordinary wear and tear excepted, so long as such wear and tear is caused by use for which such Car was designed, and in any case, free of perforation from corrosion, erosion or other damage. Lessee will not make any material change in the interior of any Car without the prior written consent of RGC, which consent shall specify the return conditions for such Car. In the event such consent is granted, the modification of any interior in any Car is to be performed by and at the sole expense and risk of Lessee, unless otherwise specifically provided for in the application rider or in such consent.

11. **Modifications to Cars.** Lessee agrees that it will not make any modifications to any of the Cars without the prior written consent of RGC. In the event that any governmental agency or non-governmental organization having jurisdiction over the operation, safety or use of railroad equipment requires that any addition, removal, modification, replacement or adjustment be made to any of the Cars in order to qualify them for operation in railroad interchange service (hereinafter "Modifications"), Lessee agrees to pay all costs or expenses required to make any such Modifications. Any parts or items added, whether as replacements or additions or Modifications, shall be considered

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RGC

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accessions to the Cars and title thereto shall be immediately vested in RGC at no cost or expense to RGC, and shall remain on and not be removed from the Cars upon the return of the Cars to RGC at lease termination, except as pursuant to paragraph 14 hereof.

12. **Markings on Cars.** Upon delivery to Lessee, the Cars will bear reporting marks and Car numbers as detailed in the applicable rider to this Agreement and as registered with the AAR. Lessee shall ensure that the Cars remain so marked throughout the term of this Agreement. No lettering or marking of any kind shall be placed upon or removed from any of the Cars by Lessee without prior written notice to RGC, except as directed by RGC or as mandated under requirements of the FRA, DOT, Interstate Commerce Commission ("ICC"), the AAR or other governmental agency. In the event of any such applicable change, Lessee will immediately notify RGC in writing prior to effecting such change, and, if requested to do so by RGC, Lessee will file a statement of new Car numbers or otherwise arrange for the re-registration of the Cars as required by any governmental or non-governmental agency or organization in order to maintain the existing registration of the Cars and in order to protect RGC's title and interest in and to the Cars and in and to the Agreement. Any such allowed changes in or of lettering or markings on a Car shall be performed at the expense of Lessee.

13. **Inspections.** RGC or its designated agent shall have the right, from time to time, to inspect the Cars and Lessee's records and books with respect to the Cars at any reasonable time. Lessee, if appropriate and if in the best interest of the Lessee, agrees to assist RGC in performing any such inspection to the extent such assistance does not materially interfere with Lessee's operations.

14. **Return of Cars.** Except as otherwise set forth in the applicable rider with respect to any Car, upon termination of the Agreement with respect to any Car, Lessee agrees at the Lessee's sole expense and risk to promptly deliver such Car to RGC, Delivery Duties Paid (DDP) at such interchange points within the continental United States as RGC may reasonably specify. Each Car shall be subject to RGC's inspection and acceptance upon redelivery. Each Car shall be in conformance with the applicable requirements of the AAR and FRA, DOT or any successor organizations, and shall be in at least as good condition as when delivered to Lessee, ordinary wear and tear expected, including but not limited to (i) having fully functional outlets, if appropriate; (ii) being free from all charges and liens which Lessee is required to discharge pursuant to paragraph 15 hereof; and (iii) being free from all accumulation or deposits, whether from commodities transported in or on the Cars while in the service of Lessee or otherwise. In addition, Lessee shall at its own expense and risk, at the sole discretion of RGC, remove any structural members, bulkheads or any other load carrying or containing devices installed on or attached to any of the Cars by Lessee, repair any damage caused by such removal, and restore such Cars to the same configuration as when originally delivered to Lessee. For each day any Car shall not have been so returned to RGC, or for each day any Car so returned is not in such required condition, Lessee's obligation to pay rent and any other amounts under this Agreement or riders hereto will continue beyond the termination date in an amount equal to the greater of (i) its then fair market rental for such Car as reasonably determined by RGC or (ii) of the rental for such Car indicated in the applicable rider, until Lessee shall so return, repair and/or clean any such Car, or reimburse RGC for any expenses incurred in repairing or cleaning any such Car. For all purposes of this Agreement no Car shall be deemed to have been returned to RGC's possession until all of Lessee's obligations herein pertaining to such Car have been performed.

15. **Liens on the Equipment.** Lessee shall pay or satisfy and discharge any and all liens or charges which may be levied against or imposed upon any Car, and any and all claims which, if unpaid, might constitute or become a lien or a charge upon any Car, except for any lien which (i) results from an affirmative act of RGC to create a lien, which act is neither consented to by Lessee nor created in connection with a Default (as hereinafter defined), or (ii) results from claims against RGC not related or connected to the ownership, leasing, use or operation of any of the Cars or its status as RGC under this Agreement. Lessee shall not be required to pay or discharge any such claims so long as it shall, in

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good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not, in the reasonable opinion of RGC, adversely affect or endanger the title or interest of RGC herein or in and to the Cars, or diminish the value of the Cars. Lessee's obligations under this paragraph 15 shall survive the termination of this Agreement.

16. **Limitations on Lessee's Interest.** No right, title or interest in any of the Cars shall vest in Lessee by reason of this Agreement or by reason of the delivery to or use by Lessee of the Cars, except the right to use the Cars in accordance with the terms of this Agreement. Lessee shall make no sublease, transfer, assignment or pledge of its interest under this Agreement in and to the Cars without RGC's prior written consent, provided however, that notwithstanding any such sublease, Lessee shall continue to remain liable to RGC, as principal and not as surety, under all terms and conditions of this Agreement and any riders hereto.

17. **Loss of or Damage to Commodities or Freight.** RGC shall not be liable for any loss or damage to any commodity or freight of any kind, or any part thereof, loaded or shipped in or on the Cars. Lessee agrees to assume responsibility for, and any liability arising from, any such loss or damage, and further agrees to indemnify RGC against, and hold RGC harmless from claims for any such loss or damage.


18. **Indemnification.** Lessee agrees to indemnify and hold RGC harmless from and against any loss, liability, claim, cost, damage or expense (including reasonable attorneys' fees) arising out of or in connection with the possession, leasing, subleasing, storage, use or return of any Car from the date of acceptance by Lessee to the date of return and acceptance by RGC, excepting, however, any loss, liability, claim, cost, damage or expense which is attributable to the gross negligence or wilful misconduct of RGC, its agents or employees.

19. **Late Payment.** Lessee shall pay interest on any rent payment or other amount owed to RGC not received by RGC within five business days of the required due date. Interest on any such late payment will accrue from and including the due date until the date received by RGC at an interest rate of twelve percent (12%) per annum. or the highest rate allowed by law, whichever is lower.

20. **Insurance.** Lessee shall, at its own expense, and at all times during the Term and any storage period applicable hereunder, insure and keep insured each Car, against (i) general liability, including evacuation expense and pollution clean-up expense, and (ii) property damage in an amount at least equal to the casualty value of the Cars, as set forth in the casualty value schedule appended to the applicable rider. Such insurance shall be in effect from the time the Car is delivered to Lessee to the time the Car is returned to and accepted by RGC. Such insurance shall be in force and placed with insurers acceptable to RGC. Self-insurance shall be acceptable at levels commensurate with the Lessee's financial capacity to retain such exposure and as is consistent with standard market practice, both as are reasonably determined by RGC. Lessee shall maintain minimum general liability limits of \$25 million dollars unless greater limits are carried by Lessee, which shall then become the required minimum limit under this Agreement. All insurance shall provide for thirty (30) calendar days prior written notice to RGC of cancellation or of material change with respect to coverage, deductibles, limits, conditions or exclusions. Insurers shall agree to waive all rights of subrogation against RGC. Insurance shall be primary without right of contribution and shall operate in the same manner as if a separate policy covers each additional insured. The insurance shall not be invalidated by any act or omission of Lessee, its affiliates, employees, officers, directors, or agents, regardless of any breach or violation by Lessee of any warranty, declaration, or condition contained in such policies. Lessee further agrees to name RGC as additional insured and loss payee on such insurance policies for such Cars, and, from time to time during the Term, upon request, to provide satisfactory evidence of compliance with this paragraph including delivery of copies of insurance policies.

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21. **Default.** Each of the following shall be a Default under this Agreement: Lessee (i) fails to pay when due any rent or other amount required to be paid under this Agreement or any rider hereto; or (ii) fails to perform any of its obligations under this Agreement or any rider hereto; (iii) is in default of any of the material terms and conditions of any other lease or other financial obligation of Lessee; or (iv) is insolvent or makes an assignment for the benefit of creditors, or a trustee or a receiver is appointed for Lessee or for a substantial part of its assets, or a petition in bankruptcy or for reorganization or a similar proceeding is filed by or against Lessee; (v) subleases the Cars (other than as specifically permitted hereby); or (vi) makes or made any material misrepresentation to RGC in connection with this Agreement.

22. **Remedies.** Upon the occurrence of a Default and at any time thereafter so long as the Default is continuing, RGC may, in its sole discretion, do any one or more of the following with respect to any or all of the Cars subject to this Agreement or riders hereto: (i) demand immediate payment of the total amount of the unpaid rent and other payments then due and, in addition, as liquidated damages and not as a penalty, at RGC's sole discretion, either (a) the present value, discounted at 6% per annum, or the remaining rents and other amounts to become due under this Agreement and any riders hereto throughout the remaining Term thereof, less the fair rental value thereof (or upon the releasing of the Cars to a new lessee, the rentals payable as a result thereof with respect to the remaining Term) for such remaining term, after deduction of reasonable expenses, discounted at 6% per annum or (b) the amount by which the then casualty value as of the date of Default, as set forth on the applicable rider hereto exceeds the fair market value (less reasonable expenses) thereof, or, (upon any sale) the net sales proceeds (less reasonable expenses) received by RGC; and/or (ii) demand the return of any or all of the Cars in accordance with paragraphs 10 and 14 hereof; and/or (iii) take possession of any or all of the Cars, without demand or notice, without court order or other processes of law and without liability for any damages occasioned by the taking of possession; and/or (iv) upon notice to Lessee, terminate this Agreement and/or any riders hereto as to any or all of the Cars subject thereto; and/or (v) exercise any other right or remedy available to RGC under applicable law. In the event of any such Default, Lessee shall provide free storage of any Cars subject to this Agreement or any riders hereto until such Cars are re-leased or sold, shall, at the direction of RGC, promptly deliver the Cars, at Lessee's expense and risk, to RGC or its designee at such locations as RGC shall designate, and shall pay RGC for all costs and expenses, including attorneys fees and court costs, incurred by RGC in exercising any of RGC's rights or remedies hereunder or in enforcing any of the provisions of this Agreement or any riders hereto. No remedy referred to in this Agreement is intended to be exclusive, but each shall be in addition to any other remedy referred to or otherwise available to RGC.

23. **Sale or Assignment.** Lessee agrees that, without Lessee's consent, RGC may sell, assign or pledge RGC's interest in the Cars and/or this Agreement and/or any riders hereto, in whole or in part, to any person, firm, partnership, or corporation (an "Assignee"), at RGC's sole discretion, subject to the interests of Lessee arising from this Agreement and any riders hereto, and that all of the rights of RGC provided for herein may be enforced without limitation by the Assignee(s). Lessee may not without RGC's written consent, sell, assign or pledge Lessee's leasehold interest in the Cars and/or this Agreement and/or any riders hereto, in whole or in part, to any person, firm, partnership or corporation.

24. **Waiver of Warranties and Representations.** RGC HEREBY MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING BUT NOT LIMITED TO THE DESIGN, CONDITION, COMPLIANCE WITH LAW OR SPECIFICATIONS, OPERATION, MERCHANTABILITY, SUITABILITY, QUALITY, FITNESS FOR A PARTICULAR USE OR SERVICE OR ANY OTHER MATTER CONCERNING THE CARS OR ANY PART THEREOF. LESSEE HEREBY WAIVES ANY CLAIM IT MIGHT HAVE AGAINST RGC, ITS SUBSIDIARIES, SUCCESSORS OR ASSIGNS FOR ANY CLAIMS CAUSED BY THE CARS OR ANY DEFECT THEREIN OR THE OPERATION, MAINTENANCE OR REPAIR THEREOF. IT IS FURTHER AGREED THAT RGC SHALL HAVE NO LIABILITY TO LESSEE, LESSEE'S CUSTOMERS, OR ANY THIRD PARTIES FOR ANY DIRECT, INDIRECT, SPECIAL OR

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CONSEQUENTIAL DAMAGES OR FOR ANY DAMAGES BASED ON STRICT OR ABSOLUTE TORT LIABILITY ARISING OUT OF THIS AGREEMENT OR ANY RIDER HERETO, OR WITH RESPECT TO THE USE, OPERATION, LEASING OR SUBLEASING OF THE CARS OR ANY PART THEREOF. LESSEE EXPRESSLY ACKNOWLEDGES THAT IT LEASES THE CARS "AS-IS".

25. **Financial Statements.** Lessee agrees to provide RGC in a timely manner, audited financial statements for itself and its ultimate legal parent (if any) on an annual basis, and unaudited financial statements on a quarterly basis, and such other financial reports as RGC may from time to time request throughout the term.

26. **UCC AND ICC Filings.** Upon the request of RGC, Lessee will execute a memorandum of this Agreement and/or any rider or amendment hereto in form appropriate for filing with the UCC, ICC or any other governmental department or agency or non-governmental organization in the United States. Lessee, at the request of RGC, shall file and record this Agreement and/or any rider or amendment hereto and/or any such memorandum with the ICC or other department or organization, domestic or foreign.

27. **Non-Waiver.** Neither the failure nor the delay of RGC to enforce any provision of this Agreement or any rider hereto or to prosecute any Default shall be considered as a waiver of that provision or affect the right of RGC to enforce such provision or any other provision hereof.

28. **Jurisdiction.** RGC AND LESSEE AGREE THAT THIS AGREEMENT MUST BE INTERPRETED IN ACCORDANCE WITH THE APPLICABLE LAWS IN FORCE IN HIDALGO COUNTY, TEXAS, UNITED STATES OF AMERICA, IN FORCE AT THE TIME LITIGATION IS INITIATED, AND, FURTHERMORE, RGC AND LESSEE AGREE TO SUBMIT THEMSELVES TO THE FEDERAL COURTS WITH JURISDICTION OVER HIDALGO COUNTY, TEXAS, UNITED STATES OF AMERICA, RENOUNCING ANY OTHER LAW OR FORUM WHICH MAY CORRESPOND BY REASON OF DOMICILE OR ANY OTHER JURISDICTIONAL POINT OF CONNECTION.

29. **Lessee's Representations and Warranties.** Lessee hereby represents and warrants that: (i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of Texas, and is duly qualified to do business and is in good standing in each jurisdiction wherein the failure to so qualify could have a material adverse effect on the business or financial condition of Lessee; (ii) Lessee has full power and authority to execute, deliver and perform this Agreement and all related documents or instruments and to own or lease its properties and to carry on its business as now conducted and as contemplated by this Agreement; (iii) this Agreement and all related documents or instruments have been duly authorized, executed and delivered by Lessee and constitute the legal, valid and binding obligations of Lessee enforceable against it in accordance with the terms hereof and thereof; (iv) no authorization, consent or approval of, notice to or filing with any governmental authority is required for this Agreement and all related documents or instruments or for the acceptance, use or maintenance of the Cars; and (v) neither the execution, delivery or performance by Lessee of this Agreement or any related document or instrument, nor compliance with the terms and provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the terms, conditions or provisions of any law, governmental rule or regulation or the charter documents, as amended, or by laws, as amended, of Lessee or any order, writ, injunction or decree of any court or governmental authority against Lessee or by which it is bound or of any financial, credit or other agreement to which it is a party.

30. **Miscellaneous.** This Agreement and any riders hereto shall be binding upon, and shall constitute the complete agreements between, RGC and Lessee, and may be amended or modified only in a writing lawfully executed by them. Any provision of this Agreement or any rider hereto determined to be unenforceable in any jurisdiction shall, as to such

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jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof or thereof. Lessee waives any right to trial by jury on any issues or claims arising under this Agreement.

31. **Notice.** All notices under this Agreement shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, without limitation, by overnight mail and courier service, or (b) in the case of notice by such a telecommunications device, when properly transmitted, addressed to each party at the following addresses or to such other address as the party to whom the same is intended shall specify in conformity with the foregoing:

If to RGC:

RIO GRANDE CHEMICAL SALES COMPANY
901 Lindberg Street
McAllen, Texas 78501
Attention: Paul G. Veale, Jr.
Fax No. 210-686-2223
[Telephone No. 210-686-2221]

With a copy to:

Mr. Rene Cacheaux or Mr. Joseph Newton
Cacheaux, Cavazos, Newton, Martin & Cukjati, L. L. P
One Riverwalk Place
700 North St. Mary's Street, Suite 1500
San Antonio, Texas 78205
Fax No. 210-222-2453

If to Lessee:

TEXAS-MEXICAN RAILWAY COMPANY
P. O. Box 419
Laredo, TX 78042-0419
Mr. Larry D. Fields
Fax No. 210-723-7406
[Telephone No. 210-722-6411]

32. **Access to UMLER.** Lessee hereby authorizes RGC, and agrees that RGC shall be entitled, to access UMLER and receive all information thereon with respect to the Cars, or the use and operation thereof, together with all other such information as may be available from the AAR, and Lessee agrees to execute such instruments or consents as may be necessary or required in order to carry out the intent of this Paragraph 32.

33. **Lease Renewal.** Upon termination of the initial lease term or extension thereof, Lessee shall have the right to renew or extend the Term in accordance with the renewal provisions contained in the applicable rider to this Agreement.

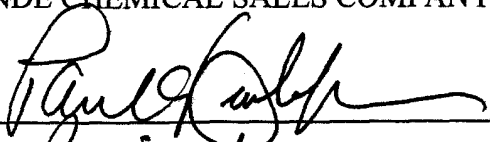
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officer as of the day and year first above written.

initial:


RGC

Lessee

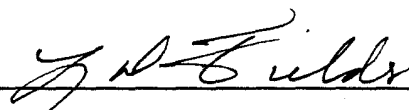
RIO GRANDE CHEMICAL SALES COMPANY

By: 
Its: President

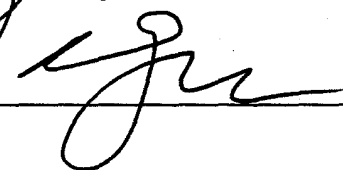
Witness: 

Witness: 

TEXAS-MEXICAN RAILWAY COMPANY

By: 
Its: President

Witness: 

Witness: 

Initial:


RCC

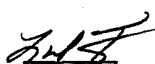

Lessee

EXHIBIT A

**RIDER NO. 1 TO RAILCAR NET LEASING MASTER AGREEMENT (the "AGREEMENT") BETWEEN
RIO GRANDE CHEMICAL SALES COMPANY and _____ dated _____.**

DATE OF RIDER:

NUMBER OF CARS AND CAR TYPE:

EXISTING CAR MARKS AND NUMBERS:

NEW CAR MARKS AND NUMBERS:

AGREEMENT COMMENCEMENT DATE:

AGREEMENT TERMINATION DATE:

PAYMENT FREQUENCY:

RENT PAYMENT:

PAYMENT INSTRUCTIONS:

CASUALTY VALUE SCHEDULE:

PERMISSIBLE COMMODITIES/SERVICE:

RESTRICTIONS ON USE:

DELIVERY LOCATION:

DELIVERY DATE:

RETURN LOCATION:

RENEWAL PROVISIONS:

ADDITIONAL RETURN PROVISIONS:

CAR HIRE/MILEAGE CREDITS:

SPECIAL PROVISIONS:

Agreed to this _____ day of _____, 1996, by and between RIO GRANDE CHEMICAL SALES COMPANY and
_____.

RIO GRANDE CHEMICAL SALES COMPANY

(LESSEE)

By: _____

By: _____

Its: _____

Its: _____

Initial:

RGC

Lessee

EXHIBIT B

CERTIFICATE OF INSPECTION and ACCEPTANCE

I have been appointed as the duly authorized representative of _____ for the purpose of inspecting and accepting the Cars (as defined in the Railcar Net Leasing Master Agreement dated as of _____, between RIO GRANDE CHEMICAL SALES COMPANY and _____ (hereinafter the "Lease"). In such capacity, I do hereby certify that in respect of the Cars described below:

1. Each Car has been inspected and is in good order.
2. Based on my determination that each Car is in good order and in compliance with all applicable specifications, each Car is hereby accepted by _____ for all purposes of the Lease.

TYPE OF EQUIPMENT: _____

NUMBER OF CARS: _____

CAR NUMBERS: _____

DATE OF ACCEPTANCE: _____

Signature of Authorized Representative of Lessee

Printed name of Authorized Representative

Date: _____

Initial:

RCC

Lessee

RIDER NO. 1

RIDER NO. 1 TO RAILCAR NET LEASING MASTER AGREEMENT (the "AGREEMENT") BETWEEN RIO GRANDE CHEMICAL SALES COMPANY and TEXAS-MEXICAN RAILWAY COMPANY dated November 20, 1996.

DATE OF RIDER: November 20, 1996

NUMBER OF CARS AND CAR TYPE: Minimum of Thirty (30) 100-Ton, 4000 c.f. gondolas

EXISTING CAR MARKS AND NUMBERS: N/A

NEW CAR MARKS AND NUMBERS: TM 1100 series as per Attachment I

AGREEMENT COMMENCEMENT DATE: November 9, 1996

AGREEMENT TERMINATION DATE: January 31, 2004

PAYMENT FREQUENCY: Monthly in Advance

RENT PAYMENT: per Car,
per month with prorations in accordance with Paragraph
4 of the Agreement

PAYMENT INSTRUCTIONS: Bank Wire Transfer As per Attachment II

CASUALTY VALUE SCHEDULE: As per Attachment III

PERMISSIBLE COMMODITIES / SERVICE: Scrap metal or similar iron products

RESTRICTIONS ON USE: Not to be used in any service in connection with toxic,
corrosive or hazardous materials

DELIVERY LOCATION: F.O.T. (free on tracks) at the GLNX repair shop in Omaha,
NE or other shop designated by RGC

DELIVERY DATE: Date on which RGC gives written notice to Lessee that
Cars are outshopped and ready for inspection. Delivery
window is fourth quarter 1996 and first quarter 1997.

RETURN LOCATION: As designated by RGC at lease termination

RENEWAL PROVISIONS: This lease will automatically renew on an annual basis
for a period of up to three years after the initial
Termination Date under the same terms and conditions

Initial:

RCC

Lessee

as contained herein. If Lessee desires not to renew or extend the lease, Lessee shall submit written notification to RGC not less than one hundred twenty (120) days prior to the initial Termination Date or each subsequent anniversary of the Termination Date.

ADDITIONAL RETURN PROVISIONS:

RGC will provide billing instructions in writing for return of Cars not less than 30 days prior to lease termination date. If RGC does not provide billing instructions, Lessee agrees to store Cars free of charge for up to a maximum of ninety (90) days after Cars are inspected and accepted by RGC.

CAR HIRE/MILEAGE CREDITS:


All car hire/earned mileage credits are for the account of Lessee.


SPECIAL PROVISIONS:


Lessee has the option to increase the number of Cars on this lease by an additional ten (10) to thirty (30) Cars by submitting a written notice to RGC on or before December 23, 1996, subject to availability.

Agreed this 29 day of Nov., 1996, by and between RIO GRANDE CHEMICAL SALES COMPANY and TEXAS-MEXICAN RAILWAY COMPANY

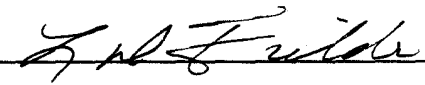
RIO GRANDE CHEMICAL SALES COMPANY

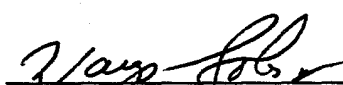
By: 
Its: PRESIDENT

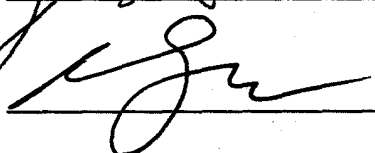
Witness: 

Witness: 

TEXAS-MEXICAN RAILWAY COMPANY

By: 
Its: PRESIDENT

Witness: 

Witness: 

Initial:


RGC


Lessee

Attachment I to RIDER NO. 1

CAR MARKS AND NUMBERS

TM 1100	TM 1115
TM 1101	TM 1116
TM 1102	TM 1117
TM 1103	TM 1118
TM 1104	TM 1119
TM 1105	TM 1120
TM 1106	TM 1121
TM 1107	TM 1122
TM 1108	TM 1123
TM 1109	TM 1124
TM 1110	TM 1125
TM 1111	TM 1126
TM 1112	TM 1127
TM 1113	TM 1128
TM 1114	TM 1129

Initial:


RGC


Lessee

Attachment II to RIDER NO. 1

BANK WIRE TRANSFER INSTRUCTIONS

BANK: TEXAS STATE BANK
P. O. BOX 4797
Mc ALLEN, TEXAS USA
TELEPHONE: 210-631-5400

BANK'S ABA NUMBER: 114909013


ACCOUNT NAME: RIO GRANDE CHEMICAL SALES COMPANY

ACCOUNT NUMBER: 90757691

If you have any questions, please contact the Rio Grande Chemical office at 210-686-2221.

Initial:


RCC


Lessee

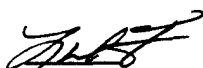
Attachment III to RIDER NO. 1

CASUALTY LOSS SCHEDULE

The Casualty Value of each leased railcar shall be determined by referencing the Casualty Value Percentage for the specific rent payment periods in which a loss occurs and multiplying such percentage by

Initial:


RGC


Lessee

CERTIFICATE OF INSPECTION and ACCEPTANCE

I have been appointed as the duly authorized representative of Lessee for the purpose of inspecting and accepting the Cars (as defined in the Railcar Net Leasing Master Agreement dated as of November 20, 1996 between RIO GRANDE CHEMICAL SALES COMPANY and TEXAS-MEXICAN RAILWAY COMPANY (hereinafter the "Lease"). In such capacity, I do hereby certify that in respect of the Cars described below:

1. Each Car has been inspected and is in good order.
2. Based on my determination that each Car is in good order and in compliance with all applicable specifications, each Car is hereby accepted by Lessee for all purposes of the Lease.

TYPE OF EQUIPMENT: _____

NUMBER OF CARS: _____

CAR NUMBERS: _____

DATE OF ACCEPTANCE: _____

Signature of Authorized Representative of Lessee

Printed name of Authorized Representative

Date: _____

LEASES\TM2-GOND2.WPD

Initial: _____

RCC

Lessee

ADDENDUM
to ATTACHMENT I - RIDER No. 1
RAILCAR MASTER NET LEASING AGREEMENT
December 23, 1996

The **Railcar Master Net Leasing Agreement** entered into as of November 20, 1996 between RIO GRANDE CHEMICAL SALES CO. (RGC) and the TEXAS MEXICAN RAILWAY COMPANY (Lessee) is hereby amended as set forth below.

Article 1. Railcars Covered by Agreement.

The list of thirty (30) railcars on Rider No. 1, Attachment I is hereby amended to include the addition of the following ten (10) gondolas, bringing the total to forty (40):

TM 1130	TM 1135
TM 1131	TM 1136
TM 1132	TM 1137
TM 1133	TM 1138
TM 1134	TM 1139

All other terms and conditions shall remain unchanged and in full force and effect.

RIO GRANDE CHEMICAL SALES COMPANY

By: _____

Its: _____

Printed Name: _____

Witness: _____

Witness: _____

TEXAS MEXICAN RAILWAY COMPANY

By: _____

Its: _____

Printed Name: _____

Witness: _____

Witness: _____